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of public economics. It is needless to say that he is still an advocate of the extension of governmental action in many directions.

The author tells us in his preface that this work was begun as a revision of the *Introduction to Political Economy*, but grew into a practically new book. It deals more with theory than the former work, and in future revisions this distinction will be retained. The new work is a marked improvement upon the old, not only in classification, but in many other points; notably in the treatment of value, where the theory of marginal utility is adopted. Dr. Ely's definitions are sometimes diffuse, but nothing could be more concise than this distinction between utility and value: "Utility is the capacity to satisfy wants; value is the capacity to excite desire." The clearness of style throughout and the skilful use of illustration will make the book valuable for exciting the interest of beginners in the study of economics.

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*Bericht der Börsen-Enquete-Kommission.* Nebst 8 Anlagen:

Stenographische Berichte über die Sachverständigen-Vernehmungen der Börsen-Enquete-Kommission. Berlin, Puttkammer & Mühlbrecht, 1893.—Folio, 8 vols.

In Germany the power of issuing bank-notes is vested in the Imperial Bank and in a small and constantly decreasing number of other banks, which exercised this right before the establishment of the Imperial Bank. The other joint-stock banks and private bankers receive deposits without any legal supervision or restriction, and on the other hand do a large business in issuing stocks and bonds and dealing in securities of industrial companies and in public loans. These different branches of business are managed jointly, and in 1890-91 unscrupulous bankers abused the opportunity for speculating wildly with the money entrusted to them.

A strong party, including the Agrarians and Conservatives, as well as the Anti-Semites and Social-Democrats, is opposed to the modern development of trade and of the exchanges. They introduced a number of bills, designed to check "the outrages of the exchanges, such as dealing in futures," to prevent the use of the stock and produce exchanges as gambling-places by outsiders, to protect depositors, and to bring the bankers under a close governmental control. Owing to the insistence of the parties affected that the propositions were impracticable, and based on

insufficient knowledge of business life, the government appointed a committee of investigation, which included representatives of the different contending interests, business men, officials and scientists.

The first meeting of the committee, in which economic science was represented by Professors Schmoller and Cohn, was held in the beginning of 1892, with the president of the Imperial Bank in the chair. Since then it has met ninety-three times and heard the testimony of 115 experts, of whom thirty-nine represented the stock exchanges, sixteen the grain dealers, ten the agricultural interests, ten the flour mills, nine the coffee trade, six the alcohol trade, seven sugar, five the textile industries, eight science and jurisprudence, and five the press. As a basis of operations a printed schedule of questions was used, which was frequently revised as the committee gained experience. The information obtained in this way was supplemented by a number of important decisions of the different German courts, by a comprehensive treatise on the jurisdiction of the supreme court on dealing in futures, and by written opinions of experts. In addition to this a considerable amount of documents—regulations of all exchanges of the world, statutes, *etc.*—and statistical abstracts were collected and printed, together with the testimony, in a series of volumes as an appendix. The volume of statistics contains a most valuable introduction by Professor Schmoller, which demonstrates the influence which the exchanges have acquired on the distribution of capital. The report itself was presented in December, 1893, as a result of thirty-five separate meetings and two joint meetings of five sub-committees, dealing respectively with (1) the organization of the exchanges; (2) the credit mobilier; (3) dealing in futures; (4) quotations and the broker-question; and (5) the commission business.

The conclusions of the committee were the result of a compromise. It was agreed, in the first place, that "the exchanges have become an indispensable factor in the economic life of to-day"; therefore no measures should be considered "which might disturb or harm the justifiable and necessary functions of the exchanges." Nor was there any controversy as to the existence of great evils in connection with transactions on the exchanges. But as to the methods of abating these evils, different views had been urged. Some declared that governmental interference was not necessary; some that it would even increase the abuses. The reorganization of the exchanges, it was held, was more likely to be effected by moral reforms from within, than by the application of radical

measures from without, which would prove a hindrance to the free development of trade. Others objected strenuously that what might be useful from the standpoint of the members of the exchanges, might harm the public. The outrageous gambling transactions and dealings in futures, the enormous losses due to the introduction of unsafe securities on the exchanges, had done much to decrease the wealth of the nation. Against the exchanges the private citizen was entirely defenseless; they could not be expected to attempt any serious reforms; therefore stringent public regulations were called for. The committee conceded the dangerous consequences which a violent encroachment on the complicated mechanism of the exchanges might have; but it denied that the idea of interference resulted from a feeling of especial hostility toward this branch of business, or from a desire to subject it to an exceptional law. "Legislation needs to enforce equalizing, protecting and supporting measures for all branches of modern economic life, wherever there is a danger that complete freedom may lead to practical disturbances for the commonwealth or any part of it."

The propositions of reform are divided into five parts, corresponding to the work of the sub-committees, and are substantially as follows:

(a) The exchanges shall be put under the control of the state governments, which may transfer the immediate supervision to boards of trade and chambers of commerce. The rules and regulations of every exchange must contain paragraphs as to the board, the branches of business which are the subject of the transactions, the conditions of admission to membership, and the methods of making quotations. The board must appoint a committee with jurisdiction over the conduct of the members of the exchanges, and may prosecute those who, "by dishonorable conduct or dishonesty, have lost the respect of their fellow-members." Among the punishable offenses are: malicious influencing of the quotations by means of fictitious transactions; spreading of false rumors; offering or accepting bribes for the publication or suppression of statements in the papers in favor or disfavor of certain undertakings; carelessness in the issue of stocks and bonds; instigating a man by dishonorable means, either personally, or by advertising, agents, letters, *etc.*, to speculate outside the limits of his business. Finally, speculating in behalf of clerks, officials and employees is strictly forbidden. Punishments are to consist of fines and suspension or expulsion from the exchanges. Besides the committee mentioned, a government commissioner is provided for, who may serve as attorney

before it, and who has the right to investigate all questions brought to his knowledge.

(b) For the important business of issuing stocks and bonds a special board shall be appointed, in which shall be represented the interest of the bankers and banks, as well as of the purchasing public. Nominations of members of the latter class must be approved by the government. This board shall decide upon the admission of new securities. It must watch the public interest and that of the private buyers. The banking concerns introducing the said securities are responsible to the full amount of damages for negligence and for the publication of false prospectuses.

(c) Dealing in futures shall be subject to very strict regulations. The Bundesrath shall decide in what classes of articles it is permissible. Whoever wishes to do regular business in futures (*Terminhandel*) must have his name registered in a public book, and pay a considerable admission fee and an annual assessment. The most important propositions are directed against utilizing this dealing in futures for gambling purposes, and against those who induce outsiders to take part in such transactions.

(d, e) The propositions as to quotations, brokers and commission business are of a more formal character, and directed against certain abuses only. The local authorities are entitled to settle most of these questions in accordance with the needs of their locality. Experience has proved that artificial restrictions on the appointment of governmental brokers are useless or dangerous. The committee wishes to limit the activity of the official brokers to the issue of public quotations, *etc.* The rights and duties of the commission merchants are also regulated.

Whether these propositions as a whole will become law, is doubtful. The general belief is that most of them are reasonable and moderate, and that probably actual legislation will move on these lines. A bill is also in preparation to regulate deposit-banking. It has been shown in the course of the investigation that the efficacy of mere law is very limited, that healthy reform can be expected only from the good will of the parties concerned, and that a certain kind of lawyers will always be at the dealers' disposal to find means to circumvent the law.

But the government can, at all events, try to raise the standard of commercial morality, and to induce the business man to conduct his affairs on a basis corresponding to the generally accepted ideas of morality. The Prussian-German government has always shown its appreciation of that part of its social functions.

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